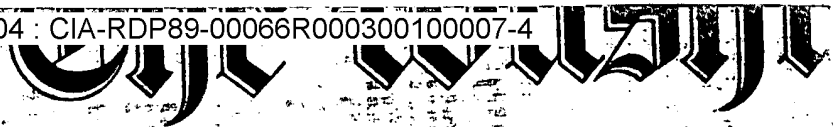


showers. High around 60.  
 Yesterday: Temperature range  
 59-51. Details on Page B2.



109TH YEAR . . . . No. 161

© 1986, The Washington Post Company

THURSDAY

# Both Tax-Overhaul Bills Have Surprises in Rates, Deductions in First Year

## U.S. Pension Compromise Approved

By Judith Havemann  
 Washington Post Staff Writer

The White House and congressional conferees agreed yesterday on a retirement system for new federal workers that would save taxpayers about \$2 billion a year, create a tax-deferred savings plan to raise employees' retirement income and deny cost-of-living increases to retirees under 62.

White House officials, who had sought deeper cuts in the \$25 billion-a-year program, decided yesterday to go along with the major elements in a House-Senate compromise they had turned down two weeks ago.

Under the plan, nearly 400,000 federal workers hired since 1984 would be covered by a new three-part retirement system much like those widely used in private industry. All new federal workers would be covered by the system, in which Social Security benefits would be supplemented by a government pension and a tax-deferred savings plan.

The president has approved the agreement on the retirement bill this morning, said Constance J. Horner, director of the Office of Personnel Management.

By Anne Swardson  
 Washington Post Staff Writer

The first year of tax overhaul would bring an unpleasant surprise to many people anticipating hefty decreases in their tax bills.

The tax-revision bill approved last week by the Senate Finance Committee, as well as the one passed by the House last year, would repeal many popular deductions on the first day the law takes effect, but would not cut tax rates for individuals and corporations until six months later. The standard deduction would increase a year after the law is implemented.

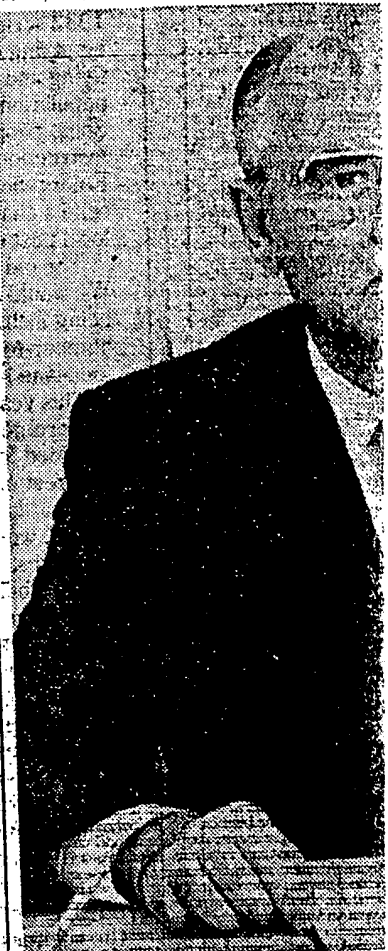
The House bill would reduce income taxes an average of 8.4 percent for individuals while the Senate bill would lower them an average of 6.3 percent. But those figures apply to the second year of the bills. Tax experts say those figures would be smaller the first year any bill is in effect.

"We are in 1987 going to have the situation where you have a broader tax base and a higher rate" than the fully phased-in rates of 15 percent and 27 percent of the Senate proposal, said Gillian Spooner of the accounting firm Touche Ross.

Both measures would bring in more money during their first year of implementation than will be raised if the tax code is not changed, although over five years both would be virtually revenue-neutral.

The House bill would increase revenues by \$7.3 billion in the first year. The Finance Committee bill, analysts estimate, would raise more than that, but just how much more is hotly debated.

Neither the Joint Committee on Taxation nor the Treasury Department, the only two entities with computer models capable of estimating the effects of such massive



Gorbachev, on television, reports to

## U.S. May B Under Proposal, N

By Michael Isikoff  
 and David Hoffman  
 Washington Post Staff Writers

An administration task force expected to recommend to President Reagan that the space shuttle no longer compete to launch commercial and foreign satellites as part of a major policy shift to make room for the "backlog" of military payloads, according to administration sources.

The recommendation, which is bitterly opposed by the National Aeronautics and Space Administration and commercial satellite companies, would effectively end